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IN THE

Supreme Court of the United States

OCTOBER TERM, 1939.

No. 482.

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EDWARD SHELDON and MARGARET AYER BARNES,

*Petitioners,*

—against—

METRO-GOLDWYN PICTURES CORPORATION, METRO-  
GOLDWYN-MAYER DISTRIBUTING CORPORATION,  
LOEW'S, INC., and CULVER EXPORT CORPORATION,

*Respondents.*

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**PETITIONERS' REPLY BRIEF IN SUPPORT OF  
PETITION FOR WRIT OF CERTIORARI.**

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ARTHUR F. DRISCOLL,  
*Counsel for Petitioners.*

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The purpose of the petition is not as stated in respondents' brief page 1 "to review solely the bases taken by the Court below for its award of profits". Our position is that there can be no apportionment on any basis—that the statute says we are entitled to "all profits"—that even though there can be a *basis* for doing less than required by the plain mandate of Congress, the basis employed below is erroneous and unjustified even by the patent "causes" to which the Court below had recourse.

Infringement has been found. Respondents are convicted of being deliberate plagiarists. We question the propriety, therefore, of references to the prior record in nowise involved by the present petition. The respondents by these prior references seek to extenuate their deliberate plagiarism.

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The *pro tanto* appropriation which the respondents afforded to themselves of the petitioners' work can best be gleaned from the opinion of the Circuit Court (81 Fed. (2d) 49, 56), where the Court said:

"We cannot avoid the conviction that, if the picture was not an infringement of the play, there can be none short of taking the dialogue."

The award given to the copyright owners by the Special Master and confirmed by the District Court is in essence no more disproportionate than the recovery by the plaintiff in *Dam v. Kirk LaShelle*, 175 Fed. 902. There the short story that was infringed upon had been sold for \$85. This was not sufficient ground to defeat plaintiff's recovery of *all the profits*.

The present Copyright Law has been on the books for thirty years. It is significant that there have been no recoveries by the copyright owner of profits out of proportion with the original value of the property stolen. Defendants' argument in effect is that although they stole plaintiffs' property, nevertheless they should not be made to account for all of the profits, and thereby comply with the plain mandate of the statute because the profits made were large.

On page 3 of their brief defendants quote from Judge Leibell's decision in the District Court in which Judge Leibell said (R. 1202):

"If we are 'to avoid instances of grotesque injustice' then 'we must adopt some working rule' similar to that employed in patent infringement cases."

Defendants would emphasize the thought that there has been grotesque injustice in the present case.

What is injustice?

What is grotesque?

Is it grotesque injustice to take from deliberate infringers the profits they have made after allowing them to deduct all items of expense, including the enormous salaries and compensation of the individuals directly involved?

Is it grotesque injustice when deliberate infringers are made to account for their profits only after every item of expense is allowed them, including overhead, depreciation, and even interest on the investment made by them in the infringing work?

Is it grotesque injustice because an infringer who makes but small profits is compelled to disgorge all without allowance for such items as special salaries to officers (*Philadelphia Rubber Works v. U. S. Rubber Reclamation Works*, 276 Fed. 600 (D. C., N. Y. 1920)); Overhead (*Winchester Repeating Arms Co. v. American Buckle & Cartridge Co.*, 62 Fed. 278; *Haus Manufacturing Company v. Link Bell Co.*, 63 Fed. (2nd) 479; C. C. A. 3, *Krentler-Arnold Hinge Last Company v. Leman*, 24 Fed. (2nd) 423; *Lerin Brothers v. Davis Manufacturing Company*, 72 Fed. (2nd) 163); Taxes and Insurance Paid (*Metallic Rubber Tire Company v. Hartford Rubber Works Co.*, 245 Fed. 860; *Christensen v. National B & E Company*, 10 Fed. (2nd) 856; *National Folding Box & Paper Company v. Dayton Novelty Company*, 95 Fed. 991); Repairs, Building, Machine and Plant Depreciation (*Metallic Rubber Tire Co. v. Hartford Rubber Works Company*, 245 Fed. 860); Interest on Invested Capital (*Ruth v. Stegns-Rogers Manufacturing Company*, 13 Fed. Supp. 697); Expenses of Experimental Work (*Coffield Motor Washer Co. v. Wayne Mfg. Co.*, 255 Fed. 558); Expenses of Litigation and of Patents (*Competing Scale v. Toledo*, 279 Fed. 648); Cost of advertising not actually identified with infringing article (*Coffield Motor Washer*

*Company v. Wayne Mfg. Co.*, 255 Fed. 558), and other similar items, while in the case at Bar, because defendants are clever enough to make large profits, they are allowed to keep 80% thereof?

Does "grotesque injustice" depend upon the success made by deliberate plagiarists? Does it become more grotesque as profits increase?

Respondents in their brief, page 6, under the heading of "The Question Presented (a)", urge that the factors which they contributed were "separate and apart" from the copyrighted property. Did anyone ever see or hear of a play being produced without a producer, actors and a director? Are these factors "separate and apart" from the copyrighted property? Plays are not written to be read but to be enacted. How else can a play be infringed unless it be produced, enacted and directed? The producer, actors and director are nothing but "labor and material", for which credit is to be taken before arriving at a figure of profit.

Again on page 6 of the respondents' brief, under the heading, "The Question Presented (b)", the respondents speak of an award of profits as being a remedy "which equity itself devised and controls". That is only a half truth in this instance. Equity did not devise nor does it control Section 25 of the Copyright Statute. Congress devised Section 25. Equity administers it but that administration must be in accordance with and not *contra* to the plain mandate of Congress.

Historically<sup>9</sup> in the absence of a statute, equity might have devised and controlled an award of profits on plain common law, equitable principles. Here equity is confronted with a statute. The 1909 Act provides in plain terms that an infringer shall be

liable for *all* profits made by him out of the infringement, and Congress must have intended that a suit in equity, in preference to an action at law, might be maintained for an accounting of profits.

Under the act now in force the remedy of accounting for profits is *not* dependent on the remedy of injunction. The prior copyright statutes had made no mention of an infringer's liability for profits made by him. They provided only for damages and for injunction. Relief by way of an accounting for profits had been added by the courts but only as an incident to the issuance of an injunction.

*Stevens v. Gladding*, 17 How. 447.

In the 1909 Act liability for profits was made one of the consequences of infringement by express provision and there is nothing in the text to indicate that the copyright proprietor should recover profits of an infringement only in cases where he might win an injunction. On the contrary, the present act makes it clear that the remedy of injunction and the remedy of accounting for profits are independent of one another.

*Page & Company v. Fox Film Corp.*, 83 Fed. (2d), 196, 200 C. C. A. 2.

The copyright statute is unlike the patent statute in this respect. Under the patent statute a naked bill for accounting of profits will not lie, since such an accounting is purely incidental to the injunction provided for in the patent act. Under the present patent act the courts

"shall have power to grant injunctions according to the course and principles of courts of equity."

to prevent the violation of any rights secured by the patent, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for an infringement the complainant shall be entitled to recover in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby." 35 U. S. C. A., Sec. 70.

The recovery of profits in a suit in equity for patent infringement is thus made to depend on the plaintiff's right to an injunction; *Root v. Railway*, 105 U. S. 189. The same is true of trademark infringement under the trademark statutes. 15 U. S. C. A., Sec. 99. But the present copyright act contains no such qualification on the right to hold an infringer of copyright for profits made.

It may be said, therefore, that under the present act a court of equity while it administers the act, did not devise nor does it control it.

The respondents on page 8 of their brief speak of the motion picture as "a distinctly new, artistic creation". While that question may be a mooted one, nevertheless if true, it would seem to call for a special act of Congress if the motion picture is such a "distinctly new artistic creation" that it can not be comprehended along with all the other works of art which the present copyright statute is supposed to protect.

On page 8, emphasis is placed on the drawing power of the stars who appeared in the picture. It may be asked if the public would have attended the theatre merely to see these stars functioning without a play as a background against which their thespian talents might have been thrown?

On page 9, emphasis is placed on the purchase

price of \$30,000 placed upon the motion picture rights of petitioners' play. All this is *post hoc*.

Any wrongdoer would gladly pay the price of the article which he has appropriated in order to escape the mandate of the law on his apprehension. It is all quite immaterial.

"The value which the plaintiff put upon its rights in incomplete negotiations with the defendants will be wholly immaterial."

*L. C. Page & Co., Inc. v. Fox Film Corp.*  
83 Fed. (2d) 196, 200.

Likewise, "It is not a case of an established license fee or royalty".

*L. C. Page & Co., Inc. v. Fox Film Corp.*,  
*supra*.

On pages 10 and 11 of respondents' brief they mention "a comparison made of the play and the picture", as being a suitable basis for apportionment. This argument overlooks the fact that their infringing picture is an integral, literary, dramatic unit, any portion of which is incapable of separation from the whole and it therefore falls within the rule of *Collaghan v. Myers*, 128 U. S. 617, and *Belford v. Scribner*, 144 U. S. 488, wherein this court refused to attempt any apportionment where the matter was inextricably blended.

Further than that the court below did not attempt any apportionment on this suggested basis, but rather proceeded on the erroneous basis of apportioning on the "labor and materials" furnished by the respondents in making the picture, all of which is fully disfissed in the brief submitted with our petition under Point III.

On page 12 of respondents' brief it is said that Judge McCormick in *Harold Lloyd Corporation v. Witwer*, 65 Fed. (2d) 1 (C. C. A. 9), "declared that the profits might be and should be apportioned". The opinion of Judge McCormick is pure *dicta*\* since the majority court found there was *no infringement* and anyway he made no such suggestion. He erroneously (we think) concluded that Section 25 of the Copyright Act gave the court power to award damages "in lieu of actual damages and profits," contrary to the rule as later announced in *Davilla v. Brunswick*, 94 Fed. (2d) 567 (C. C. A. 2), cert. denied 304 U. S. 572, wherein it was held that when actual profits are ascertainable the plaintiff *must* take them and cannot elect to take the statutory awards mentioned in Sect. 25.

It is also counter to the rule of this Court announced in *Douglas v. Cunningham*, 294 U. S. 207 (1935), where the statutory damages were confined to cases "where the rules of law render difficult or impossible proof of damages or discovery of profits".

It is said on page 13 of respondents' brief that "the likely explanation of the dearth of English authority on the subject is that in England the copyright proprietor must elect between damages and profits; He cannot sue for both".

We understand it to be the law of this country that a plaintiff cannot have both damages and profits if the profits exceed the damage. The greater of course includes the lesser.

Under Point II, page 14, of respondents' brief they attempt to distinguish the *Callaghan* and *Belford*

\* Judge McCormick's opinion was a dissenting one.

cases. The effort leaves considerable to be desired. It is said on page 14,

"in both cases there were factual findings that the infringers' work was as an entirety an infringement of the copyrighted work".

No reference is made to support that statement.

At any rate, if that statement is true, it is difficult to explain why the court in both the *Callaghan* and *Belford* cases undertook to discuss the possibilities of an apportionment. If the infringement was an entire infringement, obviously it was futile to discuss any apportionment.

In discussing the *Callaghan* case, respondents say (p. 15); "the opinions were lifted bodily", and that "there was no basis for apportionment solely because of the inclusion of the opinions". The opinions of the court were common or public property. They were not susceptible of copyright, and even though the defendant in the *Callaghan* case had "lifted them bodily" he was not liable since the plaintiff had no proprietary interest in them. They were *publici juris*.

On page 17 of respondents' brief, in discussing the *Belford* case, respondents say:

"Naturally the Supreme Court made no reference to any claim of apportionment in the face of a finding that the defendant's work in 'matter and language' was substantially the same as the plaintiff's."

But the Supreme Court did make "reference to claim of apportionment" in the *Belford* case and discusses it fully at page 508.

It is difficult to understand the foregoing statement found in the respondents' brief.

Respondents attempt to distinguish, on page 18, the case of *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U. S. 231, the trademark case in which the court held an apportionment was "inherently impossible". The distinction respondents make is that it was only "inherently impossible" for the plaintiff. If it was "inherently impossible", it shouldn't make very much difference who attempted to overcome the inherent impossibility.

On page 25 the respondents refer to a statement of the court below, as follows:

"Nobody can say how far this basic plot is to be credited with whatever the play contributed to the drawing power of the picture. That consideration must therefore count toward reducing the percentage of profits received (R. 1264)."

The court below did not make any apportionment on the basis of that statement, but if it had, it is submitted that it was by complete error.

A copyright, unlike a patent, does not need to be new and original. The only originality required of a copyright is that it be original *with the author*. The story, plot or subject matter may be ancient and common but the author is, nevertheless, entitled to copyright.

In *Emerson v. Davies*,\* 8 Fed. Cas. 615 and 620, Judge Story said:

"It is a great mistake to suppose, because all of the materials of a work or some parts of its plan or arrangements and modes of illustration, may be found separately, or in a different form,

\* Approved by Lord Atkinson in *Macmillan v. Cooper* (1923) 40 T.L.R. 186.

or in a different arrangement, in other distinct works, that therefore if the plan or arrangement or combination of these materials in other works is new, or for the first time made, the author or compiler or framer of it (call him what you please) is not entitled to a copyright. The reverse is the truth in law, and, as I think, in common sense also."

The respondents are not charged with or convicted of having copied the trial of Madeleine Smith. They had a perfect right to do that and to dramatize it if they wished. They have been charged with and convicted of copying our dramatization of the trial of Madeleine Smith, which is a clear violation of petitioners' right under Section 6 of the Act, which specifically gives protection to

"abridgements, adaptations, arrangements, *dramatizations*, translations or other versions of works in the public domain".

What the trial of Madeleine Smith may or may not have contained is irrelevant. What was copied was petitioners' dramatization of it.

Petitioners in writing their play did not need to turn to Madeleine Smith for inspiration. History at any stage would have furnished the same material, as would also the headlines of most any metropolitan daily. "The skeleton (it is said) was already in the public demesne" (R. 1264)—as what is not—before Madeleine Smith was ever born and will probably continue to remain so till the end of time.

If the defendants' reasoning is right, and if Polti\* is also right that there are but thirty-six possible

\* The Thirty-six Dramatic Situations, by Georges Polti published by Writers Digest 1931; James Knapp Reeve 1921; The Editor Company 1916, 1917.

dramatic situations, an author's protection would be indeed scant were he to undertake to dramatize again the life of Lincoln or Napoleon.

Surely, if the court below is correct in its statement that "that consideration should have counted toward reducing the percentage of profits recoverable", then the case of *Callaghan v. Myers* where nine-tenths of the volumes of the copyrighted work was in the public domain (in the form of the courts' opinions) is one of *a fortiori*. As we know the court in the *Callaghan* case awarded all profits to the copyright owner and "that consideration" did not count toward reducing the percentage of profits recoverable.

On pages 25 and 26 of respondents' brief respondents attempt to distinguish the decision of this Court in *Duplate Corporation v. Triplex, etc.*, 298 U.S. 448 cited and quoted from in our brief, page 21. The attempt leaves considerable to be desired. Respondents say "the only allowance that respondents received was compensation for *converting* a play \* \* \* into a successful motion picture." We assume that that statement would be equally applicable to the infringer in the *Duplate* case, who was merely *converting* the plaintiff's patent into a successful mechanical product.

The respondents are at pains to escape the stigma of deliberate plagiarism and they say, page 29:

"There has never been any suggestion by the Master or by either of the courts below that the defendants have been guilty of gross wrong."

If a deliberate plagiarism is not a gross wrong it would be difficult to conceive what might be one. Plagiarism is the most subtle and despicable form of

wrong. One may have a healthy respect for the courage of a brigand by which he carries out his crude operations, but a plagiarist can only be viewed with contempt.

On pages 30 and 31 respondents complain of the finding of the court below that there was a deliberate plagiarism and of the court's comment that "no new light has come". They say, "where was this new light to come from \* \* \* and even if such additional evidence had been offered before him (the Master), we are confident it would not have been received."

The source of respondents' confidence in this respect is difficult to fathom, since there was directly involved before the Master the good faith of the respondents on the question of allowance or disallowance of income tax paid, as a deduction against profits. The income tax deduction was expressly disallowed by the Circuit Court upon its finding the defendants guilty (R. 1271). The respondents were at all times familiar with the rule of *Larson v. Wrigley*, 277 U. S. 97, and similar cases wherein an allowance of income tax as a deduction is expressly rested upon the good faith of the defendants. Why then did they not produce their witnesses before the Master to show this good faith?

*It is respectfully submitted that the petition for a writ of certiorari should be granted.*

Dated, November 16, 1939.

ARTHUR E. DRISCOLL,  
*Counsel for Petitioners.*